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# Property Tax Review

## *Sharing -- It's a Learning Experience For All*

*By Sandra Guilfoil, Assistant Director*

I've just returned to my office from the last day of the WSACA conference here in Olympia. One of the most exciting aspects of these semi-annual meetings is the energy that is created by sharing information and ideas. For two days, in both formal and informal settings, assessors and their staff, members of WACO, and DOR staff discuss a wide array of issues...asking questions, answering questions, brainstorming, planning, etc. I think everyone comes away from the meetings with a broader perspective, a better understanding of the different roles and responsibilities of each participant, and a greater appreciation of the strengths and contributions each person and entity brings to the group as a whole...not to mention new tools and ideas.

We are all aware of how important it is for each person to have specific knowledge and skills relevant to their particular job or area of responsibility. Activities like these conferences remind us, as well, of the value in obtaining a broader understanding of the world that more generally influences what each of us do in our daily lives. The world of politics (both state and local), legislative changes and agendas, budgets and priorities of the decision-makers, economic changes, personnel changes, and any number of other things can

have significant impacts on the decisions we make in our own smaller worlds. The challenge is finding ways to gain that broader perspective in a cost-effective and timely way.

I hope you are finding some of that information coming to you in this quarterly newsletter. We have gleaned through all the information that comes across our desks and provided you with summaries and synopsis, 'heads ups' and 'what ifs' that, we hope, will help you in making some of your decisions and in understanding the decisions of others. We are trying to make information more readily available by expanding the offerings on our internet site and in broader use of e-mail.

One challenge, of course, is that this newsletter is sent to assessors. It is then their responsibility to forward it on to other members of their staff. I strongly encourage each assessor to make the extra effort to pass on this information to those who will benefit.

You will find this particular newsletter chock-full, once again, with new information. I hope you learn...appreciate...and share! ♦



## This Quarter's Reminders

### July 1

Last official date to file an appeal to the County Board of Equalization. ([RCW 84.40.038](#))

### July 16 (because July 15 falls on a weekend, boards convene next business day)

County Boards of Equalization meet in open session. Minimum session, three days; maximum session, four weeks. Under certain conditions may meet earlier if authorized by county commissioners. ([RCW 84.48.010](#)) Budget being prepared by county officials and local taxing districts. ([RCW 36.40.010](#))

### August 1

Determinations on applications for property tax exemptions shall be completed by the Department of Revenue. ([RCW 84.36.830](#))

### August 13 (Second Monday)

Last day for county officials to file estimated budgets with county auditor for the ensuing fiscal year. ([RCW 36.40.010](#) and [.030](#))

### August 31 (On or before)

County assessors shall be informed by the Department of Revenue of properties determined to be exempt from the property tax. ([RCW 84.36.835](#)) New construction is placed on current assessment roll up to August 31 at the assessed valuation as of July 31 of that year. ([RCW 36.21.070 through 36.21.090](#))

### September & October (During the months of)

The Department of Revenue shall equalize taxes to be collected for state purposes. ([RCW 84.48.080](#))

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## Northwest Property Tax Conference

By Sandra Guilfoil, Assistant Director

The Northwest Property Tax Conference will be held September 18-19, 2001 at the Sheraton Portland Airport Hotel.

This is the same location, same organizers, and same goal as the prior two years – to bring together DOR appraisers, county assessors and appraisers, and commercial taxpayers from the Northwest states for two days of networking and valuation-related education.

Presentations and break-out sessions this year include the following:

- *"The Energy Crisis – The Northwest and the United States"* by Alan Richardson, Chairman of Pacificorp.
- *"Energy Restructuring and the Northwest Power Crisis"* by Roy Hemmingway, Chairman of the Oregon Public Utility Commission.
- *"Wood Products Economic Obsolescence Update & Canadian Lumber Tariff Issues"* – a panel presentation by industry and Oregon DOR.
- *"Right of Way – Estimating the Value Impacts of Changes in Land Use."*
- *"Compensation for Government Restrictions on Use of Land"* by Oregon Representative Max Williams.
- *"Utility and Personal Property – Cell Towers, Jigs, Dies, and Molds Valuation."*
- *"Economic Environment of the High Technology Industry"* with representatives from Intel and Hewlett-Packard Company.

- *"Waiting for the Rain"* – a lunch presentation by John Mitchell, Western Regional Economist for US Bank.
- *"More Internet Research Techniques."*

If you have not received conference information, contact the EWE-ME Company by telephone at (503) 244-4320 or by e-mail at [register@eweme.com](mailto:register@eweme.com). ♦

## WSACA Award Goes to Revenue Staff Member

By Sandra Guilfoil, Assistant Director

At the recent Assessor's Conference, I was asked to forward a recognition award to Kim Qually on their behalf. The award states as follows:



*"This is to certify that Kim Qually is most gratefully acknowledged for exemplary service to the Washington State Association of County Assessors and to the Citizens of Washington State."*

Kim is an attorney who works in the Legislation and Policy Division of the Department of Revenue. She is responsible for the analysis and drafting of proposed legislation and rules, legislative analysis, and legal interpretations of statutes for a number of different property tax statutes.

Congratulations Kim....and you can add the appreciation of Property Tax staff to this as well! ♦

# Recently Asked Accreditation Questions

By Pete Levine, Education Specialist

## Why am I asked to submit additional information for my application for accreditation?

*Answer:* The added information is needed to substantiate the applicant's work experience, as well as support the required knowledge of the applicant, noted in WAC 458-10-020(2).

Keep in mind that experience working in an assessor's office alone does not meet the experience requirement for accreditation. More specifically, applicants for accreditation must have had at least one year (1,000 hours) of experience in the preceding two years prior to application for accreditation. That experience must have been involved with either:  
transactions involving real property, appraisal of real property, assessment of real property, or a combination of each.

For this reason, it is necessary for applicants to elaborate on their experience by providing a summary of the number and type of real property appraisals completed in the previous two years, along with the percentage of time spent on either the assessment or appraisal of real property.

## How do I know when to renew my accreditation?

*Answer:* Each *Real Property Assessment Accreditation* certificate is valid for two years from the date issued, and each subsequent *Certificate of Accreditation Renewal* is also valid for two years.

In addition, twice a year the Department of Revenue (DOR) provides each county assessor with a status report of the accredited appraisers in their respective county. The report includes an expiration date for each appraiser's accreditation. It is essential that the report be distributed appropriately, as it is the reminder notice for each appraiser's renewal date. Additionally, each accredited appraiser is responsible to submit their *Application for Accreditation Renewal* to the DOR at least two weeks prior to the expiration of the accreditation.

## Does the DOR track my education for continuing education hours for my renewal?

*Answer:* No. Record keeping is the responsibility of each accredited appraiser. DOR does not track or provide individual appraiser transcript reports for continuing education for renewal. In fact, each accredited appraiser is responsible to track, document, and provide evidence of their own continuing education credit for each renewal period, regardless of

whether or not the training was sponsored by the DOR or WSACA.

**...Each accredited appraiser is responsible to track, document, and provide evidence of their own continuing education credit for each renewal period...**

## For accreditation purposes, how often is Uniform Standards of Professional Appraisal Practice (USPAP) required?

*Answer:* Currently, each accredited appraiser must successfully complete 15 hours of USPAP only once. The USPAP requirement must be completed within three years of initial accreditation, if accredited after May 1, 1997, or by May 1, 2000, if accredited prior to May 1, 1997.

## Do assessors need to be accredited by the DOR?

*Answer:* The assessor's responsibility is to ensure that all taxable property in the county is listed and valued, but not to necessarily do

## This Quarter's Reminders

*Continued from page 2*

### September 3 (Prior to first Monday in September)

The Department of Revenue shall annually determine the indicated ratio for each county. ([RCW 84.48.080](#))

### September 4 (On or before first Tuesday)

Last day for county auditors to submit preliminary budgets to Boards of County Commissioners. ([RCW 36.40.050](#))

### September 15

County assessors shall furnish the Forest Tax Division of the Department of Revenue the composite property tax rate on classified and designated forest land in the county.

### September (During the month of)

Assessors' certification of assessed valuations to taxing districts. ([RCW 84.48.130](#)) Department of Revenue certifies its assessments of public utility operating properties to county assessors after final ratios have been certified. ([RCW 84.12.370](#))♦

the valuing themselves. This is why the law allows the assessor to hire "assistants or deputies" and expert appraisers to do that work (RCW 36.21.011). However, if the assessor actually gets involved directly appraising real property, then the language under RCW 36.21.015 applies to the assessor, and they must first be accredited.

The purpose of RCW 36.21.015 is to "maintain minimum standards of competence and conduct of persons responsible for valuing real property for purposes of taxation" [WAC 458-10-010(1)] and, by maintaining these standards, to protect the public from incompetence. The assessor need not be directly involved in the actual appraisal of individual properties in administering the duties of their



## Upcoming Training Courses

### September 10-14

Fundamentals of the Assessor's Office  
Ellensburg – \$250 + Conference Fee

### September 25-26

Basic Levy Training  
Moses Lake – Free

### October 9-10

Basic Levy Training  
Olympia/Lacey – Free

### October 15-19

IAAO Courses 101, 102, & 311  
Ellensburg – \$250 + Conference Fee

### October 23-24

USPAP Seminar (*Tentative*)  
Ellensburg -- \$50

For further information, contact Linda Cox, Education Coordinator, at (360) 570-5866 or by e-mail at [LindaC@dor.wa.gov](mailto:LindaC@dor.wa.gov) . ♦

office. However, if they do, they must be accredited for purposes of consistency and protection of the public.

**If an individual is hired to represent a taxpayer at the county Board of Equalization (BOE) or the State Board of Tax Appeals (BTA) to provide appraisal services, is that individual required to be licensed or certified by the Department of Licensing (DOL)?**

*Answer:* In a recent response to this question, the DOL noted in part that, "RCW 18.140.010(1) defines an appraisal to mean the act or process of estimating value; an estimate of value, or of or pertaining to appraising and related functions. This is interpreted to mean a person who is not certified or licensed under chapter 18.140 RCW shall not prepare any appraisal or real estate located in this state."

DOL's response went on to point out that, "the statute is clear that, 'no person other than a state-certified or state-licensed real estate appraiser may receive compensation of any form for a real estate appraisal or an appraisal review....'"

Therefore, the answer is yes. DOL added that, "if an individual is hired to represent a taxpayer at a valuation appeal before the BOE and provides valuation and/or appraisal service, that individual must be licensed or certified."

Keep in mind, appraisers who are employed by a county assessor's office are not required to be *licensed* or *certified*, so long as the scope of the appraisal work is within their official duties -- such appraisal activity is exempt under chapter 18.140 RCW. Rather, appraisers employed by a county assessor's office are required to be *accredited* through the DOR. ♦

## County Focus: Skagit County Assessor's Office

*By Shawn Kyes, Property Tax Specialist*

In 1994, **Mark Leander** was elected Skagit County Assessor. At the time, the office was facing a number of challenges. A drastic increase in population and concerns about the Growth Management Act had caused a significant increase in required parcel administration (segregation work). The number of parcels with new construction had nearly doubled in five years, which added to the workload. Only adding to the problems was an ever-increasing number of appeals. Requests for additional resources to meet the increasing workloads were not funded, and Skagit County was consistently running five to six months late in the assessment cycle.

Mr. Leander and his chief deputy, **Wes Hagen**, began to look for answers. They started by making some organizational and operational changes. One change was to remove the residential appraisers from the appeal process. This was accomplished by designating a review appraiser to handle all residential appeals. By using a review appraiser, the preparation time for appeals was reduced by 50 percent. In large part, this was because the reviewer became more proficient in presentations and also because an objective review permitted appropriate adjustments when necessary. The residential appraisers now have an additional six weeks available to devote to reval and/or new construction, without having to look over their shoulder and wonder about the appeals.

Although many of the changes implemented were helping, the county still found itself late in the assessment cycle. In 1996, with the cooperation of the assessor and staff, DOR conducted a limited review of the assessor's office. The review included a look at past, present, and projected workloads and staffing levels. Additionally, the review looked at how parcel data accuracy was ensured, sales verification and analysis, and the CAMA system employed by the county. The DOR review supported many of the initial conceptions held by Mark and Wes. One of the recommendations made was that three



**Two of Skagit County's senior appraisers, Bob Chase and Kathy Peek.**

additional employees be added to assist in property segregations, sales analysis and verification, and appraisal support. Although funding for all of these positions was not immediate, by working with the Board of County Commissioners, funding for three positions was added in 1999.

The story doesn't end there...as well it shouldn't. With input and support from staff, Skagit County has and is continuing to review functions of the office and processes employed. To produce accurate and timely assessments, data for key parcel characteristics are continually tested for validity. By use of a Windows 2000 based network tied to a Unix server on which the assessor data resides, macros have been developed in Microsoft Word and Excel templates. This allows many of the forms and records that are administered to be automated and self-propagating. The extensive use of digital photographs have more than met their initial cost and serve as an excellent illustrative tool that is available during BOE hearings. Although it was originally intended as a cost-saving measure, digital photography has enhanced the efficiency of the appraisers as there are no longer delays in film development and the filing of photographs. All images are available immediately at each workstation without having to track down individual folio books. By using GIS data and products available

through the Skagit County GIS Department, appraisal progress by individual appraisers is easily tracked by color-coded maps.

Through process automation and relevant training, appraisals per week have increased in excess of 50 percent. Last year the county was able to close rolls and certify all new construction four months earlier than in previous years. The assessor is also in the process of moving to a four-year inspection cycle and continue to complete annual revaluation. The Skagit County Assessor and staff are commended for their hard work and innovative spirit. ♦

## The Assessor is Presumed Correct -- Sometimes

*By Kathy Beith, Property Tax Specialist*

By law, the assessor enjoys a presumption of correctness in valuation appeals. RCW 84.40.0301 requires clear, cogent, and convincing evidence to overcome the presumption that the assessor's determination of property value is correct. This means that a taxpayer disputing the value of their property must provide the Board of Equalization, Board of Tax Appeals, or court with sufficient evidence to show

that it is highly probable the assessor's valuation is incorrect.

But the presumption of correctness and the clear, cogent, and convincing standard of review only extend to appeals of the assessor's determination of value. The Board of Equalization also hears appeals of other types of assessor determinations such as denials of senior citizen/disabled person exemptions and deferrals, removal of property from the forest land and current use programs, denial of classification of farm and agricultural land, and assessor decisions related to claims for real or personal property exemptions.

In these other types of appeals, the assessor does not enjoy the presumption of correctness. The standard of review is a preponderance of the evidence -- not the higher standard of clear, cogent, and convincing evidence. So in appeals of assessor determinations other than valuation, taxpayers are only required to provide enough evidence to show that more likely than not, the assessor's determination is incorrect. ♦

## DOR Ratio Sales Study Audit

*By Deb Mandeville, Property Tax Ratio Specialist*

The Property Tax Division has completed the second phase of the Ratio Sales Study Audit. This pilot program was initiated in response to an Alan Dornfest recommendation in his June 1998 *Report on the Washington Ratio Study*.

Mr. Dornfest's recommendation No. 10 stated in part, "*The DOR should audit a small number of sales to ensure proper validation.*"

## County Requests for Assistance

*By David Saavedra, Program Coordinator*

Don't forget to submit your written requests for 2002 advisory assistance to Sandy Guilfoil before September 28, 2001. A reminder letter was mailed to each county assessor on June 18<sup>th</sup>. The Department is currently reviewing its workload requirements for 2002 and prioritizing our limited resources to meet anticipated needs. If you will be needing assistance, your timely response would be a help in deciding our workloads. ♦

Dave McKenzie, Steve Stamey, and I coordinated the pilot program.

### Phase One

The program involved drawing five invalidated sales reported in the 1998 ratio study from each of the 26 counties currently performing their own ratio study. Four specific invalidation codes were targeted. These specific codes were ones that historically have been inappropriately utilized. The four codes were:

- **No. 8** -- The 25 percent/175 percent invalidation code;
- **No. 15** -- Forced sale;
- **No. 18** -- Property physically improved after sale; and
- **No. 27** -- The "Other, requires comment" code.

The team attempted to pull sales with those particular codes in each of the counties. If there weren't enough samples of those particular invalidation codes, the team looked at sales invalidated for other reasons. This situation occurred in only a few of the counties.

Once the sales to be audited had been selected, staff visited the counties and reviewed the invalidation codes and the sales information of each sale. These findings were then reported to the coordinators.

The coordinators discussed the appraisal staff findings, reached consensus, and documented the results of their discussions.

### Phase Two

Next, the coordinators scheduled meetings with staff in each of the counties to discuss the results.

Meetings were conducted on-site in 24 of the 26 counties involved in the study. Due to logistics and scheduling

concerns, telephone conferences were conducted in the remaining two counties.

### Findings

- The team discovered that one of the common errors occurred in the application of invalidation code **No. 8**. In the situation of a multi-parcel sale, several counties were inputting the total sale price, but the assessed value of only one of the multiple parcels. This would result in a ratio of less than 25 percent. However, when the assessed values of all of the parcels involved in the sale were totaled and ratioed to the sales price, the ratio was over 25 percent. It was not a proper use of the invalidation code. In some cases, the corrected ratio was very close to 100 percent, and it would have been to the county's benefit to have included it in the valid sales report.

In several counties that the team found this occurrence, it was a computer system error, which has been corrected since the 1998 ratio study.

There were some instances where this code was used when new construction hadn't been picked up, but the sale price included the value

of the new home. The result was a ratio of less than 25 percent. This is specifically not allowed in the application of invalidation code No. 8 [WAC 458-53-070(4)]. Overall, in the sales that were audited, there didn't appear to be any blatant attempts to utilize the code in this manner.

- The team did not find much use of invalidation code **No. 15** in the counties. In those instances when it was audited, it appeared to be used appropriately.
- Invalidation code **No. 18**, in most situations, was applied correctly. However, there was discussion on the interpretation of "physically improved after sale." The question was asked, "Does this mean that whenever a property is physically improved after it sells, it should be invalidated?" For example, if a commercial building has a new roof put on, should the sale (which occurred prior to the new roof installation) be considered invalid? The general feeling was that there needs to be enhanced clarification regarding this code in the Ratio Procedures Manual to assure that it's being applied uniformly statewide.

## Thinking About Changing A Form?

Keep in mind, if you are revising, changing, or replacing an existing Department of Revenue form to meet your county needs, we ask that you submit a copy to us for review before finalization. This is an important consideration, to ensure that forms meet certain statutory requirements.

Additionally, if you have a suggested change or comment to a particular existing form, please let us know. We greatly appreciate the input and use the feedback when revising Department forms.

Please submit modified forms or suggested form changes to the Property Tax Division, attention Pete Levine, who may also be contacted at [petel@dor.wa.gov](mailto:petel@dor.wa.gov). ♦



- Usage of invalidation code **No. 27** was one that the Department tried to review in all 26 counties. This is the one that is utilized when none of the other 26 codes listed in the WAC rules apply. This is the only code that requires an explanation comment. In a number of instances, another of the 26 codes would have been appropriate. There are still a few counties who seem to be invalidating all of their multi-parcel sales whether they meet the criteria of being an economic unit or not. The coordinating team felt that there needs to be further clarification in the procedures manual regarding multi-parcel sales.

Some counties would disqualify any sale that involved a divorce with code No. 27. The team explained that depending on the language in the divorce decree (in terms of liquidation of assets) versus market conditions in the county, it might be appropriate to invalidate. It was emphasized that divorce, in and of itself, is not an automatic reason for invalidation.

A couple of counties have created invalidation codes other than those listed in the WAC rules. The team explained that this practice is not acceptable.

### Conclusion

Overall, the response to the sales study audit was very positive. Counties seemed to be appreciative of the personal contact from the Department, and the fact that the study was used as a training opportunity for both Department and county staff.

Counties were receptive to the idea that their neighboring counties were being

held accountable to the same rules as they were.

Recommendations for the future include:

- Update the Ratio Procedures Manual (particularly the Invalidation Code Clarifications Section) to make the discussion and examples clearer and more meaningful. Notes based on the dialog during the county visits will be incorporated into the section.
- Continue the Sales Study Audit Program in all counties, to varying degrees.

The majority of the 26 originally audited counties should still have approximately five invalidated sales annually reviewed.

Approximately 10 of the 26 counties' results warrant expanding the number of invalidated sales to be audited.

**Counties were receptive to the idea that their neighboring counties were being held accountable to the same rules as they were.**

are expected to perform their own sales studies this year. It is recommended that those counties be included in the audit plans for 2002 and on.

- Selling Properties versus Nonselling Properties -- Another part of Dornfest's auditing recommendations involved looking at selling vs. nonselling properties to make sure that they were being assessed uniformly. There are statistical tests that can be employed to measure that uniformity.

It is recommended that the team create a plan to incorporate nonselling properties into the Sales Study Audit Program. ♦



## 2001 Legislative Session Update

*By Peri Maxey, Technical Programs Manager*

At the time of this writing, the second special session of the 2001 Legislature has ended. A third special session has been called by Governor Locke beginning July 16 to address the transportation budget. While over 110 bills were considered this year that had property tax ramifications, only a few were passed and signed by Governor Locke. On June 20<sup>th</sup>, the Legislature approved Substitute House Bill 1906, providing an exemption for farm machinery and equipment. This bill has been sent to the Governor but, at this time, has not yet been signed. The following list of bills represents those that did pass and which have either a direct or indirect impact on property tax administration.

### House Bills (HB)

#### HB 1055

Generally, people who build improvements on government owned land are subject to leasehold excise tax on their interest in the land. This bill exempts, from leasehold excise tax, any leasehold interest that consists of 3,000 or more lots that are subleased for residential or recreational purposes. The leasehold interest will now be

assessed and taxed in the same manner as privately owned real property, and the taxes will be collected by the county treasurer. Collection enforcement will be accomplished through foreclosure proceeding against the improvements located on the land. (Chapter 26 Laws of 2001) *Effective 1/1/02*

#### Substitute HB 1202

This bill was requested by the Department of Revenue and covers three areas:

First, it provides a method for the correction of levy calculation or distribution errors. When an error is discovered, an adjustment is made in the succeeding year without charging or collecting any interest. The purpose is to ensure taxpayers are paying the correct amount, and taxing districts are collecting the correct amount. If the adjustment is large, it may be made over a maximum three-year period. *(Effective for errors that occur after 1/1/02)*

Second, the deadline for filing an appeal to the Board of Equalization is made

consistent for all types of decisions made by an assessor, including both exemption and valuation determinations. The appeal must be filed by July 1 of the assessment year or the year a determination is made or within 30 days (or 60 days if the county legislative authority has authorized this change) of the date of notice, whichever is later. *(Effective 7/22/01)*

And lastly, the Department will use three years of data to determine the personal property ratio in each county. (Chapter 185 Laws of 2001) *(Effective 7/22/01)*

#### Engrossed Substitute HB 1418

This bill allows **regular** property tax revenues to be allocated to finance public improvements designed to encourage private development in selected areas. Certain taxing districts (city, town, county, or port) are authorized to create an increment area, which is the geographical area from which taxes will be appropriated to finance the public improvements. Approval of the use of this type of

financing must be obtained from taxing districts that levy at least 75 percent of the regular property tax within the increment area. If the increment area includes any portion of a fire protection district, the fire protection district must approve financing of the project or it cannot be done.

The assessor determines the "base value" of the real property in the increment area, which is the assessed value of this real property. In the year following the year the ordinance is passed to create the increment area, the county treasurer will distribute a portion of the regular property taxes attributable to the properties in the increment area to the district for payment of the public improvements. To do this, the county assessor must track any increase in real property value for the properties in the increment area. The tax on any increase in value above the base value for properties within the increment area will be divided between the districts levying the tax and the district that created the increment area -- 75 percent will go to the district that created the increment

area and 25 percent will go to the taxing districts that levied the tax.

*Note:* Regular property taxes, in this context, do not include the state levy or regular property taxes levied by port or public utility districts specifically for the purpose of making required payments of principal and interest on general indebtedness. (Chapter 212 Laws of 2001) *(Effective 7/22/01 – Expires 7/1/2010)*

**Substitute HB 1450**  
This bill reinstated a provision in the Current Use and Forestland



## ...Offers Comprehensive On-Line Access to State Tax Information

Comprehensive state tax information is now only a mouse click away. Taxpedia is a one-stop source for tax-related laws, rules, advisories, administrative decisions, and court cases. It's available at <http://taxpedia.dor.wa.gov/>. The Department of Revenue designed this service so businesses, tax practitioners, and the general public can access pertinent tax information in one place.

Taxpedia accesses nearly 11,000 documents in several databases relevant to taxes. This includes the Revised Code of Washington (RCW), Washington Administrative Code (WAC), advisories (PTAs) and rulings issued by the Department, administrative decisions by the Washington State Board of Tax Appeals, and cases decided by Washington's appellate courts. ♦



programs known as the “two year death window.” If an owner (with at least a 50 percent ownership) of property classified in one of these programs dies and the property has been classified in the program continuously since 1993, the property may be sold or transferred within two years of the date of death of the owner without additional tax, interest and penalty, or compensating tax being due. A second provision of the bill provides the same relief from the additional tax, interest and penalty, or compensating tax if the property has been continuously classified since 1993 and the sale or transfer after the death of the owner of at least a 50 percent interest takes place between 7/22/01 and 7/22/03 and the death occurred after 1/1/91. (Chapter 305 Laws of 2001) *Effective 7/22/01*

#### Substitute HB 1467

When the voters passed Referendum 47, some of the language in Title 84 was changed. The Supreme Court ruled that some of the provisions in Referendum 47 were unconstitutional. This bill changes the language in the statutes to reflect the court's decision. It also consolidates the exemptions for business inventories found in chapter 84.36 RCW. (Chapter 187 Laws of 2001) *Effective 7/22/01*

#### Substitute HB 1906

All personal property machinery and equipment that is owned by a farmer and used exclusively in growing and producing agricultural products is exempt from the state levy. The property must be used for growing and producing agricultural products in the assessment year the claim for exemption is made for tax relief from the following year's taxes. The farmer must file a claim for the exemption along with his or her personal property listing affidavit. The state levy will be reduced to prevent any shift of the tax burden to other taxpayers. The exemption will first be available in assessment year

2002 for tax relief in 2003. (Governor Locke has not yet signed this bill)

#### Substitute HB 2184

*By Jim Winterstein, Project Counsel*

The purpose of this bill is to treat mobile homes and used park model trailers that are classified as real property the same for purposes of collecting real estate excise tax. That means, instead of the buyer of the used park model trailer paying sales tax at rates around 8 percent, the rate will be less than 2 percent -- the same as when a mobile home or other house is sold.

However, in determining whether a mobile home is real property and whether a park model trailer is real property, there are a few differences to note. The differences between the two laws are shown below in bold type.



...it is easier for a park model trailer to be classified as real property than it is for a mobile home.

In order for a mobile home to be classified as real property, it must have “substantially lost its identity as a mobile unit by virtue of its being permanently **fixed** in location **upon land owned or leased by the owner of the mobile home** and placed on a **permanent** foundation (posts or blocks) with **fixed pipe** connections with sewer, water, or other utilities.”

In order for a park model trailer to be classified as real property, it must have “substantially lost its identity as a mobile unit by virtue of its being

permanently **sited** in location and placed on a foundation of either posts or blocks with connections with sewer, water, or other utilities **for the operation of installed fixtures and appliances.**”

Thus, as can be seen by the wording, it is easier for a park model trailer to be classified as real property than it is for a mobile home. The park model trailer only needs to be permanently “sited” in location and not permanently “fixed” as required for a mobile home. Also, a park model need only be placed on a foundation of posts and blocks, while a mobile home must be placed on a “permanent” foundation of posts and blocks. A park model need only have “connections” with utilities, and a mobile home must have “fixed pipe” connections. But these differences only reflect the differences between park models and mobile homes; the end result should be that if the park model or the mobile home is permanently in place, then it should be classified as real property and taxed the same. (Chapter 282 Laws of 2001) *Effective 8/1/01*

#### Engrossed Substitute HB 2191

This bill provides a property tax exemption to property leased to public schools and public hospitals. Application is through the Department of Revenue. (Chapter 126 Laws of 2001) *Effective 7/22/01*

### Senate Bills (SB)

#### SB 5108

This bill redefines “short-rotation hardwoods,” in chapter 84.33 RCW, to mean hardwood trees, such as but not limited to hybrid cottonwoods, cultivated by agricultural methods in growing cycles shorter than 15 years. Previously it said, “in growing cycles shorter than 10 years.” (Chapter 97 Laws of 2001) *Effective 7/22/01*

### SB 5497

This bill excludes agricultural land that is or was enrolled in the conservation reserve enhancement program (CREP) from the forest land definition in the Forest Practices Act. The land must have been historically used for agricultural purposes, and the owner must intend to use the land for agricultural purposes in the future. (Chapter 102 Laws of 2001) *Effective 7/22/01*

### Substitute Senate Bill 5638

This bill was offered for consideration by the county treasurers as a technical corrections bill. It makes the Department responsible for the collection of deferred property taxes or special assessments under chapter 84.38 RCW. County treasurers will no longer be responsible for this activity. However, when the Department determines the deferred taxes or assessments are uncollectible, the treasurers will step in and impose their foreclosure authority.

At one point, this bill contained a provision to repeal the exemption contained in RCW 84.36.015 for property valued at less than \$500. However, the bill was amended, and the repeal of this statute was eliminated from consideration. The exemption for property valued at less than \$500 remains in place. (Chapter 299 Laws of 2001) *Effective 7/22/01*

### Substitute SB 5702

This bill was brought forward at the request of county assessors and also received support from forest land owners. It combines Classified Forest Land (CFL) and Designated Forest Land (DFL) into one classification, DFL. At the same time, it clarifies provisions in the forest land statute and makes some areas more consistent with the Current Use Program under chapter 84.34. RCW. The bill specifies that compensating taxes are due at the time

of removal for a maximum of nine years plus a prorata portion of taxes payable in the year of removal. The new assessed value at the time of removal is the market value on January 1 of the year removed. The bill also clarifies that a residential homesite may not be included in the DFL classification. (Chapter 249 Laws of 2001) *Effective 7/22/01* ♦

## To Refund or Not to Refund

*By Kathy Beith, Property Tax Specialist*

Under certain circumstances, state law allows taxpayers to obtain a refund of property tax paid. The circumstances and procedures for refunds are found in chapters 84.68 and 84.69 RCW.

Chapter 84.68 RCW relates primarily to recovery of taxes through court action.

Under the provisions of this chapter, taxpayers may initiate a refund action by paying their property tax under

protest. When the tax is paid, the taxpayer must include a written protest stating all the reasons the tax is claimed to be unlawful or excessive. An action must be filed in Superior Court or Federal Court by June 30 of the following year. The court determines the amount of tax to be refunded.

Statutory authority is also provided to counties to refund taxes without court direction in certain instances. Chapter 84.69 RCW provides grounds for

administrative refunds and the procedures to be used. Currently, the statute lists 16 circumstances under which a refund may be made. Refunds may not be made under this section because of an error in valuation unless the Board of Equalization, Board of Tax Appeals, or a court has determined a reduced value. RCW 84.69.030 sets forth the procedure to be used for refunds under this chapter. Unless the county legislative authority acts upon its own motion, a claim must be verified by the taxpayer, filed with the treasurer within three years of the date the tax was paid, and state the statutory ground for the refund.

So, there is a process defined in statute for administrative refunds ordered by county treasurers, but there are no specific procedures or guidelines established when the county legislative authority "acts upon its own motion" and orders a refund. The scope of the county legislative authority's discretion to authorize refunds is quite broad. The refund must be based on one of the grounds listed in RCW 84.69.020, but there is no statutory requirement for a claim to be filed and no restriction on the number of prior years for which the county legislative authority may order a refund.

Possible situations in which the county legislative authority may act on its own motion to grant a refund include instances when no claim has been filed by a taxpayer whose situation fits one of the grounds enumerated in RCW 84.69.020, or a taxpayer may file a claim with the treasurer, but the claim is filed more than three years after the date of payment. In these types of situations, the county legislative authority may act on its own motion to order a refund. ♦



## State Employees Honored at May Celebrations

Two employees from the Department of Revenue's Property Tax Division were honored last month during the state's Public Service Recognition Week (PSRW). PSRW is designed to call attention to the quality of people working in state government, to recognize the value of services they provide, and to develop a stronger pride in jobs among public employees. In addition, the week aims to encourage interest in public service careers. The event is organized by representatives from many state agencies and coordinated by the Employee Involvement and Recognition Board.

**Extra Mile Award Winner** -- This year the Public Service Recognition Week Extra Mile Award was presented to only 10 individuals and 2 teams of employees statewide. Out of a total of 176 nominations that were received, our very own **Deb Mandeville** was selected as one of the winners. Deb has been the Division's Ratio Specialist for last four years and is well known for going above

and beyond the call of duty in nearly everything that she does. She has a very giving and caring nature that is truly respected by all her peers. Secretary of State Sam Reed presented the award. Congratulations Deb!!!

**Longevity Award Winner** -- Seventy-three state employees received the PSRW Ralph Munro Longevity Award, marking 35, 40 or 45 years of state service. Recipients are recognized by their agencies and are presented with certificates for their service. **Donald Jenner**, an Engineering Aide in our Utility Valuation Section, was presented

Buck always took his work very seriously and gave the state his best effort. He continually looked for ways



**Buck Rulifson**

to improve quality and processes, and he never lost his passion for doing the right thing.

At his specific request, his retirement was not publicly announced in advance. He wanted no parties, no fanfare. Instead, he wanted to 'fade away like a good soldier'. This...he has now done. We wish him the best of luck and success in his new phase of life. ♦



**Donald Jenner**

with a Longevity Award for his 35 years of state service. Now that's truly dedication! Congratulations Don!!! ♦



**Deb Mandeville with Secretary of State Sam Reed**

## Buck Rulifson Has Retired

After 23 years of public service all with the Department of Revenue, **Buck Rulifson** retired June 30th. Buck's tenure with the Department was exclusively within the Personal Property Program, where he has, for many years, audited King, Pierce, and Kitsap Counties.



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## Research Tools

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[Ask George](http://access.wa.gov/search/) - Search Washington government web sites. Just type in your detailed question, then press Enter or question button. The internet address is: <http://access.wa.gov/search/>.



[Find-It! Washington](http://find-it.state.wa.us/compass/) - Maintained by the Washington State Library, a web search engine which provides easy and powerful access to **STATE** and **LOCAL** government information and services in Washington. The internet address is: <http://find-it.state.wa.us/compass/>.



### Leg Info Search

[Legislative Information](http://search.leg.wa.gov/pub/textsearch/) - Maintained by the Washington State Legislature, this is an index of Bills, Initiatives, Referenda, and associated documents for the Washington State Legislature. The internet address is: <http://search.leg.wa.gov/pub/textsearch/>.



### Board of Tax Appeals

Washington State

[Search Board Decisions](http://bta.state.wa.us/Searchone.htm) - Most Board decisions made since 1986 are available. The internet address is: <http://bta.state.wa.us/Searchone.htm>



# DEPARTMENT OF REVENUE PROPERTY TAX DIVISION

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